VALUEWORKS
QUALITY ASSETS COMPELLING VALUATIONS

VOLUME 21,4 FOURTH QUARTER 2023

Our portfolios continued to make progress through a very choppy market environment. While the S&P posted an impressive 26% gain for the year, including a 12% jump in the last quarter, the index is basically unchanged over the past two years. In fact the index closed at 4,796 on January 3rd 2022 and at 4,769 two years later on the last day of 2023. The Nasdaq posted an even more impressive gain of 45% for 2023, but nevertheless lost investors 2% over two years. The Dow posted a more modest 16% advance in 2023 but was the best major index over 2 years with a positive 8% total return. The Russell large value index added 11% in 2023, but only 3% over the two years.

By contrast our portfolios have earned solid returns in each of the past several years. For the indexes, the moves have been sharp and thematic. In 2023 the "Magnificent 7" investor darlings, (Apple, Alphabet, Amazon, Meta, Microsoft, Tesla and Nvidia) produced the lion's share of investment gains towards the end of the year, while a melt-down in both tech names and fixed-income oriented names (including the regional banks) contributed to significant losses in several distinct moments through the first quarter of 2023 following the SVB debacle.

Our portfolio results continued to be driven much more by security selection. After nearly a decade in which returns were driven by great growth stories, for the past several years there has been a marked divergence in performance between fairly valued and well-positioned businesses generating cash and earnings, versus equities that are more story and theme-driven. This has been an environment that has served our portfolios well and a trend that may well continue for the foreseeable future.

The outlook for interest rates and inflation have been the biggest drivers of recent market moves. Over the past several months the sense that we are at the peak in interest rates propelled a very significant market advance. Given the decline in inflation over the past several quarters, investors have become excited about the prospect of policy makers moving to ease monetary conditions in the quarters ahead, justifying the recent advance and nudging the markets to new highs. While it does seem credible that policy makers move in that direction, there is good reason to believe that they do not. The economy has continued to grow at a healthy pace in the face of higher interest rates, with employment at record highs and unemployment at historic lows. In addition, fiscal stimulus is still working its way into the real economy. With the economy adding jobs at the current rate, I do not see why they would lower rates in a hurry. There seems to be a large cohort of market analysts who consider much lower interest rates a normal condition; they seem to view 5% Fed Funds as unsustainable. I am not sure why; and it is not clear to me that Federal Reserve policy makers see it that way either. Rather, I consider it as least as likely that rates stay at current levels for quite some time and that monetary tightness over the quarters ahead could result in a difficult market head-wind.

Beyond that is the challenge and uncertainty that comes with a presidential election year. It has never appeared obvious to me that either party leading government translates to better or worse performance for equity markets. But I have noticed a clear trend that markets tend to stall ahead of uncertain election outcomes. My interpretation is that there are plenty of investors that do firmly believe that if the wrong side wins, conditions will be bad and investment returns will suffer. You may not find it credible that those on the other side from you really believe bad things will happen if your side wins, but I have heard from folks on both sides, and I am quite confident that they really do believe it. While the election remains undecided, investors on both sides of the political divide step to the sidelines. Once the winner seems clear, yes those on the losing side will probably remain scared, but those on the winning side regain their confidence and provide market support. Given the particularly vitriolic nature of this election cycle, dismissing that risk seems if not naïve, at least imprudent.

These are trends and themes that we have been writing about for quite some time. After two years of stagnant investment returns in equities and major losses in fixed income investments, I would argue that while we may or may not have several challenging quarters ahead of us, either way we are closer to the end of this challenging period than the beginning. Regardless of market gyrations over the next several quarters, the outlook over the next several years is in my mind very positive. There are quite a number of really important and exciting developments in the real economy, ranging from electrification of transportation to incredible medical advances and the technology revolution involving the block chain, cloud computing and Artificial Intelligence. The fact that we have now adjusted to higher interest rates puts policy makers in the position to provide stimulus over the course of years not just quarters.

We have sought to judiciously build exposure to a diverse range of individual investments that are on the one hand well priced, and on the other exposed to the potential for exciting growth. We have quite a number of investments currently in the portfolio where we see potentially exponential upside.

-Charles Lemonides, CFA

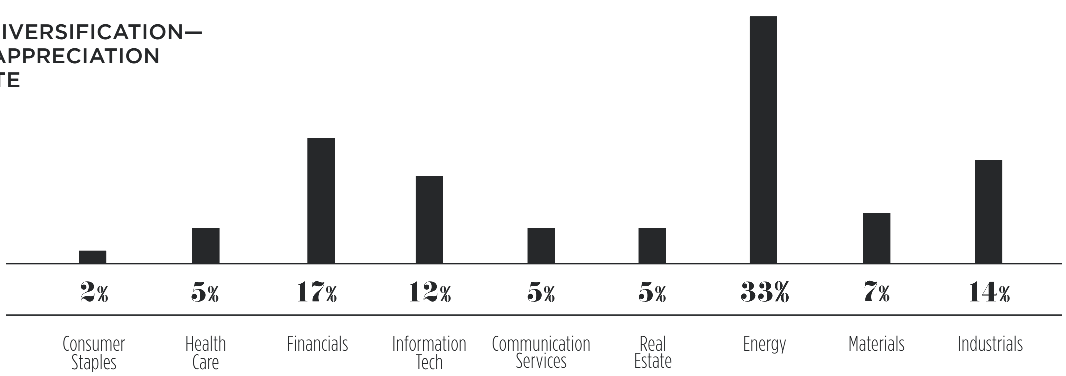
TOP 10 HOLDINGS

1. Chord Energy Corp.
2. Tidewater Inc.
3. Cheniere Energy Inc.
4. Micron Technology Inc.
5. Western Alliance Bancorp
6. Qualcomm Inc.
7. Goldman Sachs Group Inc.
8. Hyster-Yale Materials Handling Inc Cl A
9. Apple Inc.
10. Mammoth Energy Services Inc

—As of 12/31/23—

*see notes on pg 4 for additional details

SECTOR DIVERSIFICATION—
CAPITAL APPRECIATION
COMPOSITE



DEFINING OUR PHILOSOPHY

At ValueWorks we define value investing as buying the best-quality assets at the best possible prices. We like to think of ourselves as bargain hunters: it is our goal to pay only $0.50 to $0.75 for $1.00 worth of assets. We evaluate the component parts of a company, assigning each of its assets a dollar value that, when added together, comprises the underlying value of the company; if this is higher than the company's stock price, we consider it an investment opportunity.

OUR PORTFOLIO STRUCTURE

We believe risk can be better contained through educated security selection than through over-diversification. Consequently, our position sizes range between 3 – 5 % of the overall portfolio value. Fully invested portfolios tend to hold 25 – 35 individual investments.

We enter investments that we view as 25 – 50% undervalued and sell them when we see them as fairly priced. Our anticipated holding period tends to be one to two years which results in only modest portfolio turnover.

Because our decisions are based on research and sound fundamentals we view depressed price action on our securities as buying opportunities rather than sell signals.

We use senior debt and preferred instruments—offerings that can be easily misunderstood by traditional equity or fixed income investors—to gain equity type returns on safer vehicles.

OUR CLIENT SERVICES

ValueWorks provides independent investment management on an individual account basis. Our clients receive the benefits of owning securities directly, coupled with the advantages of having a dedicated portfolio manager.

Working directly with your financial consultant, we evaluate your investment profile and build a plan designed to meet your specific goals. As a high-end investment alternative, you receive:

- Individual review of your portfolio requirements
- A separately tailored portfolio created and maintained to your investment objectives and risk tolerance
- Access to the Portfolio Manager on an ongoing basis with timely and responsive communication
- Flexibility to meet your changing tax requirements and investment needs
- Comprehensive quarterly performance reports.

Working within the framework of our value investment discipline, we build portfolios that cover a wide spectrum of risk-tolerance, from aggressive to much more conservative and income oriented.

DEFINING OUR PROCESS

1 *Identification*

We monitor the financial markets to identify securities that match our investment criteria—focusing on opportunities that appear misunderstood by the general market.

2 *Appraisal*

First we identify the assets; then we appraise them. This allows us to determine the company's underlying value. We then decide whether the assets are of high quality and therefore likely to appreciate over time.

3 *Assessment*

Here we assess any claims against a company's assets; we then compare the market price of the claims to the company's underlying value. If a particular security trades at a discount, we identify factors that could eliminate the valuation gap and increase its price. We then make a decision on the purchase of the security.

4 *Re-Evaluation*

We continuously monitor our positions to determine if our original investment thesis still applies, taking necessary action to optimize our portfolio.

5 *Exit*

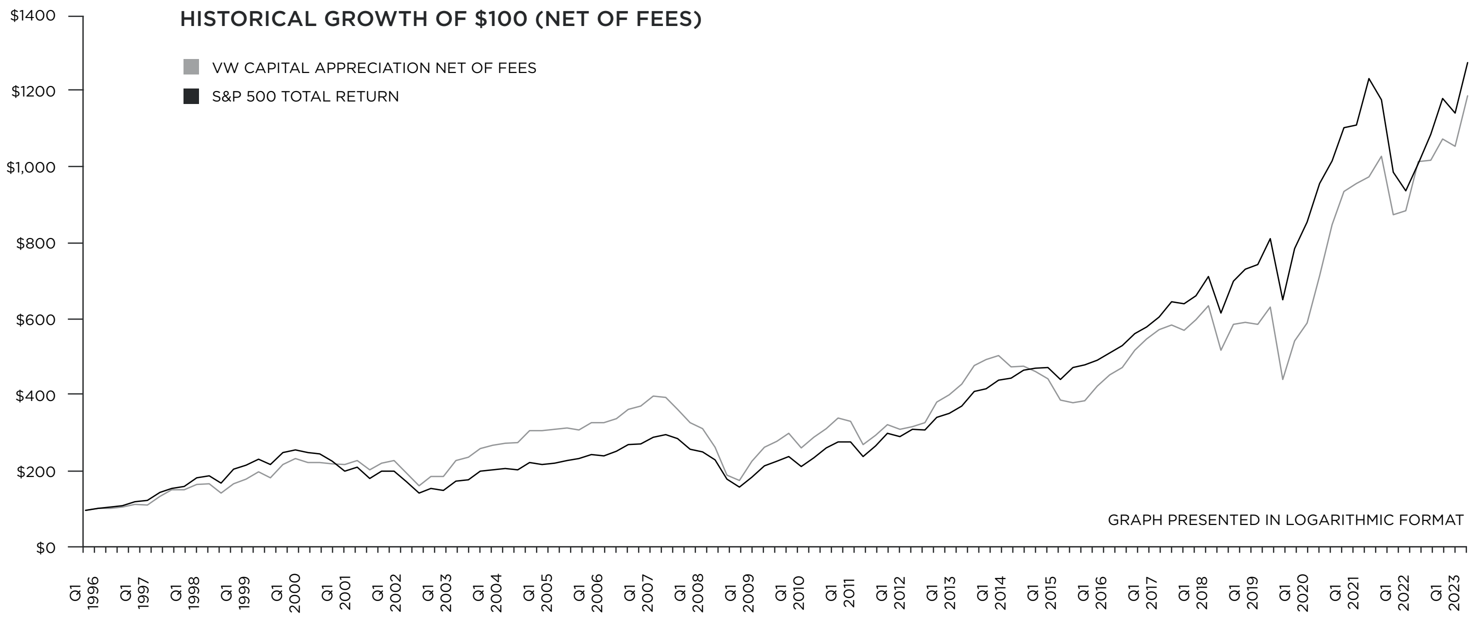
We exit a position when a security either reaches full valuation or changes in its outlook invalidate part of our original thesis.

Objective

Our objective is uncomplicated, but achieving it requires a high level of research, expertise, discipline and independent judgment. By applying this framework consistently we remove emotion from the investment decision making process, enabling us to capitalize on inefficiencies built into the market.

PERFORMANCE REVIEW

FOURTH QUARTER 2023 OCTOBER 1, 2023 - DECEMBER 31, 2023



TRAILING PERFORMANCE DATA

VALUEWORKS' CAPITAL APPRECIATION COMPOSITE

	GROSS OF FEES	NET OF FEES	S&P 500 TR
2023 Q4	12.82	12.50	11.69
1 year	18.44	17.12	26.27
3 years	19.82	18.45	10.00
5 years	19.32	17.96	15.62
10 years	10.78	9.49	11.98
Life*	10.81	9.29	9.57

VALUEWORKS' BALANCED COMPOSITE

	GROSS OF FEES	NET OF FEES	BLENDED INDEX*
2023 Q3	12.39	12.05	9.18
1 year	19.13	17.71	15.59
3 years	19.01	17.47	3.29
5 years	20.11	18.55	8.59
10 years	11.19	9.72	6.99
Life*	11.18	9.53	7.29

*Life is 28 years (inception 1/1/1996)

PAST PERFORMANCE MAY NOT BE INDICATIVE OF FUTURE RESULTS.

This Newsletter is intended to be presented with the Capital Appreciation Fact Sheet which contains additional disclosure information.

The above benchmark indices are unmanaged indices. The benchmark performance numbers reflect the reinvestment of dividends and interest but do not reflect the deduction of any fees or expenses. ValueWorks' value investing style is not limited to the securities in any of the above indices and utilizes specific investment techniques which are not utilized in the above indices and which may or may not increase volatility. Returns include all dividends, interest, accrued interest and other cash flows received as they may result from the implementation of a particular investment strategy. Trade date accounting has been used. Results for the full period are time weighted. Accounts are included in composite at the start of the first full period under management. From 1996—Q1 1998 exiting accounts are included through the period in which they left. Starting in Q2 1998 exiting accounts are included through the last full period under management. Results were generated at other firms prior to 9/30/01. Information on other composites is available on request. Investments in this strategy may lose value.
This material is approved for client use.

ONE WORLD TRADE CENTER, SUITE 84-G NEW YORK, NY 10007 T: 212.819.1818 F: 212.819.1463 VALUEWORKSLLC.COM info@VALUEWORKSLLC.COM